

**CALENDAR ITEM
C59**

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06/23/11
PRC 8874.1
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ASSIGNMENT AND AMENDMENT OF LEASE

LESSEE/ASSIGNOR:

Rosetta Resources Operating LP
717 Texas, Suite 2800
Houston, TX 77002

ASSIGNEE:

Vintage Petroleum, LLC
10889 Wilshire Boulevard
Los Angeles, CA 90024

AREA, LAND TYPE, AND LOCATION:

0.04 acres, more or less, of sovereign land in Sevenmile Slough, adjacent to Brannan and Twitchell Islands, Sacramento County.

AUTHORIZED USE:

Use and maintenance of two three-inch diameter natural gas gathering lines encased within two eight-inch diameter steel pipelines as shown on Exhibit A.

LEASE TERM:

15 years, beginning June 28, 2010.

CONSIDERATION:

\$100 per year, with the State reserving the right to fix a different rent periodically during the lease term, as provided in the lease.

PROPOSED AMENDMENT:

Amend Lease No. PRC 8874.1:

1. Section 1 (General Provisions) to revise the liability insurance coverage from not less than \$2,000,000 to not less \$5,000,000.
2. Section 2 (Special Provisions) to revise engineering provisions and add additional engineering and reporting provisions.

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OTHER PERTINENT INFORMATION:

1. Assignee has the right to use the upland adjoining the lease premises.
2. On October 17, 1941, the Secretary of War authorized the installation of two eight inch diameter natural gas pipelines, across Sevenmile Slough, to the Pacific Gas and Electric Company (PG&E). In 2007, PG&E sold the pipelines to Rosetta Resources Operating LP (Rosetta). In October 2007, Rosetta inserted new three-inch flexible pipe into the two existing eight-inch pipelines. On June 28, 2010, the Commission authorized a 15-year General Lease – Right-of-Way Use to Rosetta Resources Operating LP. The lessee has made application to assign the lease to Vintage Petroleum, LLC.
3. Vintage Petroleum, LLC (Vintage) is a wholly owned subsidiary of Occidental Oil and Gas Holding Corporation (Oxy). Vintage will be responsible for complying with all obligations of the lease for the existing facilities and Oxy is providing an unconditional guaranty for the full performance of all obligations under Lease No. PRC 8874.1.
4. The pipeline is classified as a rural gathering line flowing natural gas production from wells on Brannan and Twitchell Islands. The north side of the crossing was last inspected May 17, 2011 and the south side was inspected February 18, 2011. No repairs or modifications made within the lease area were necessitated by the inspections.
5. This lease provides that Lessor may modify the liability insurance requirement periodically during the lease term. Pursuant to this provision, staff has conducted a review of the insurance under this lease, and recommends that the liability insurance coverage be revised from not less than \$2,000,000 to not less than \$5,000,000 per occurrence, effective June 23, 2011.
6. Pursuant to the Commission's delegation of authority and the State CEQA Guidelines [Title 14, California Code of Regulations, section 15060(c)(3)], the staff has determined that this activity is not subject to the provisions of CEQA because it is not a "project" as defined by CEQA and the State CEQA Guidelines.

Authority: Public Resources Code section 21065 and Title 14, California Code of Regulations, sections 15060 (c)(3) and 15378.

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EXHIBITS:

- A. Site and Location Map
- B. Land Description

RECOMMENDED ACTION:

It is recommended that the Commission:

CEQA FINDING:

Find that the activity is not subject to the requirements of CEQA pursuant to Title 14, California Code of Regulations, section 15060(c)(3) because the activity is not a project as defined by Public Resources Code section 21065 and Title 14, California Code of Regulations, section 15378.

AUTHORIZATION:

Authorize the Assignment of Lease No. PRC 8874.1, a General Lease Right-of-Way Use, of sovereign land in Sevenmile Slough as shown on Exhibit A (for reference purposes only) and as described on Exhibit B attached and by this reference made a part hereof, from Rosetta Resources Operating LP to Vintage Petroleum, LLC and acceptance of a parental guaranty from Occidental Oil and Gas Holding Corporation, effective June 23, 2011.

Authorize the amendment of Lease No. PRC 8796.1 to include the revision of liability insurance coverage from not less than \$2,000,000 to not less \$5,000,000; and revise engineering provisions, and add additional engineering and reporting provisions, effective June 23, 2011.